

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: April 24, 2008

Bill Number: H.B. 4892

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Committee Requesting Impact: House of Representatives

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3640 so as to create the "Energy Independence and Sustainable Homes Act"; to amend Section 12-6-3587, as amended, relating to the purchase and installation of certain solar energy heating or cooling systems, so as to provide a local government or homeowners association may not prohibit the installation of a solar energy heating or cooling system in a residential home.

REVENUE IMPACT ^{1/}

This bill is expected to reduce General Fund income tax revenue by an estimated \$500,000 in FY2008-09.

Explanation

This bill would add Section 12-6-3640 to allow a residential homebuilder or developer who constructs a "high-performance" residence that is designed, constructed, and certified as receiving the National Green Build Program certified rating, the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) certified rating, or the EarthCraft certified rating, whichever is applicable, a nonrefundable state income tax credit of \$1,000 per qualified residence. A "high-performance" structure is one that minimizes its impact on the environment through an integrated system of design. The credit must be claimed in the year that the residence receives certification. The nonrefundable income tax credit applies only to high-performance residences certified between July 1, 2008 and July 1, 2016. The South Carolina Energy Office may petition the General Assembly to allow a residential building project to be certified and receive the tax credit by standards that are in addition to or instead of the certified standards allowed above. According to representatives with Southface Energy Institute, administrator of the EarthCraft House Program, by the end of calendar year 2008 an estimated 158 homes will have been constructed to Earthcraft standards in South Carolina. Based on sales forecasts, EarthCraft advises us that another 470 homes will be built in South Carolina in FY2008-09. Also, according to the U.S. Green Building Council, administrators of the LEED program, two homes have been built in South Carolina, with more planned as the program moves forward from its pilot phase of the program. Multiplying an estimated 500 homes by a \$1,000 nonrefundable tax credit yields a reduction of General Fund income tax revenue of an estimated \$500,000 in FY2008-09. This bill would also amend Section 12-6-3587 to add an appropriately-numbered subsection to reinforce that a local government or homeowners association may not prohibit the installation of a solar energy heating or cooling system in a residential home. This would allow homeowners to install solar panels to provide heating and cooling systems to their homes in lieu of homeowners association's restrictive covenants and architectural standards monitored by local government subdivision review boards.

/s/ WILLIAM C. GILLESPIE, PH.D.

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.